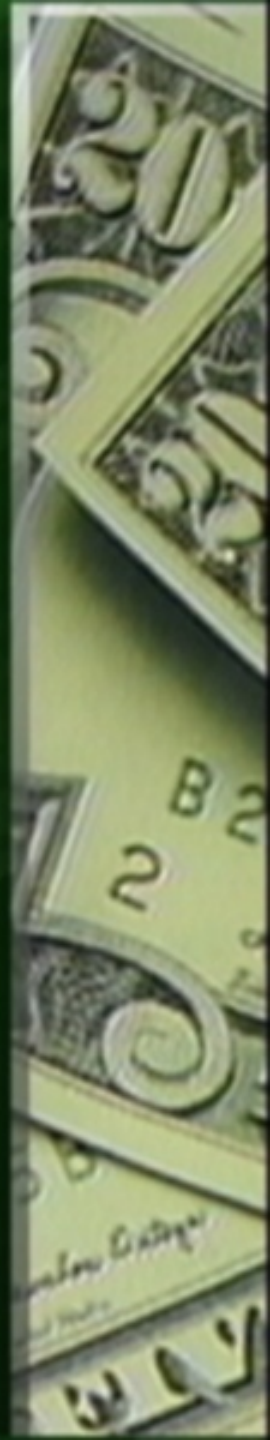


Stocks

3.1 The Great Depression

The 1920s and 1930s



The Economy: All Is Not Well

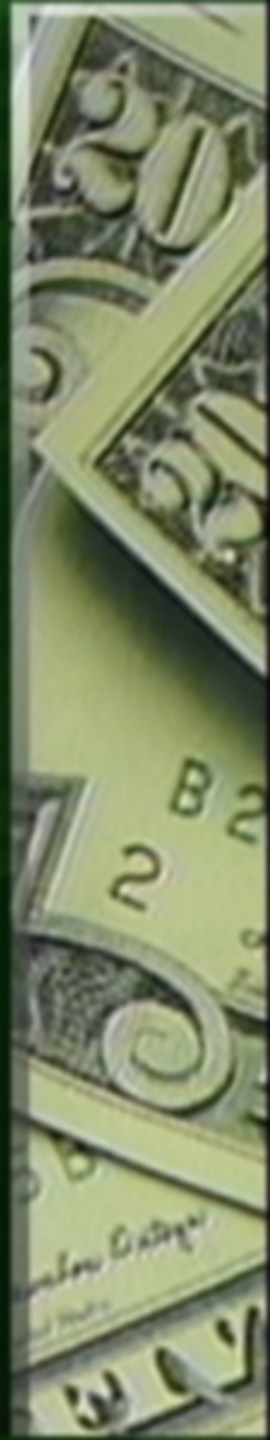
Gap between rich & poor

- ▣ **65% of Americans making less than \$2000/year**
- ▣ **1% of Americans making more than \$10,000/year**
- ▣ **1% of Americans have 1/3 of the national wealth**

Old industries (coal, cotton & wool) fail to advance, leading to layoffs. New industries (automobile, processed foods, appliances) rely heavily on stocks for funds.

Crop prices drop after WWI. Farmers overproduce which causes prices to drop even further (a bad cycle).

Factory overproduction - manufactured goods begin to pile up in warehouses & layoffs begin.



Warren G. Harding

A popular president, Harding promised America a “return to normalcy.” No more wars and idealistic goals, just good ol’ American business.

Unfortunately, Harding’ s administration also saw the return of corruption, bribes & patronage.

Teapot Dome Scandal - Harding’ s Secretary of the Interior convicted of accepting bribes from oil companies in exchange for access to US Navy oil reserves.



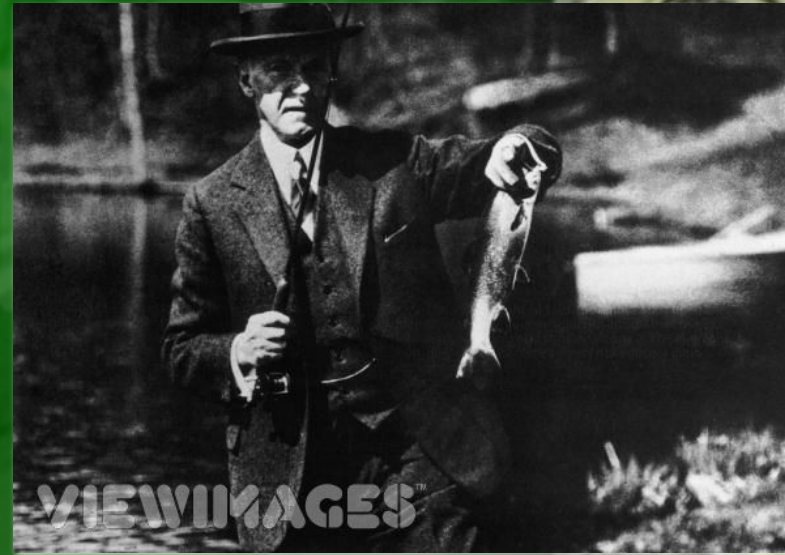
Calvin “Silent Cal” Coolidge

Took over after Harding’ s death, then re-elected as president in 1924.

Continued to pursue Republican policies of reducing:

- ▣ **National debt**
- ▣ **Federal budget**
- ▣ **Taxes**
- ▣ **Regulation**

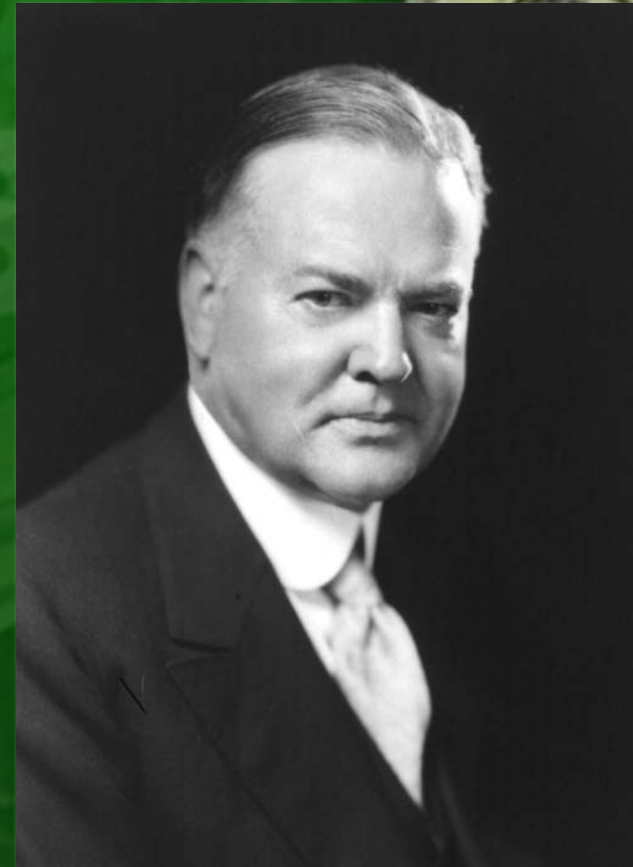
The economy booms but farmers, workers & minorities struggle



Herbert Hoover

When elected in 1928, Republican president Herbert Hoover promised that the end of poverty was around the corner - there was a “chicken in every pot” in America’s future.

However, the US economy was at this time a house of cards. The stock market crashed & on October 29, 1929 - “Black Tuesday” - panicked investors dumped \$16 million in stocks.



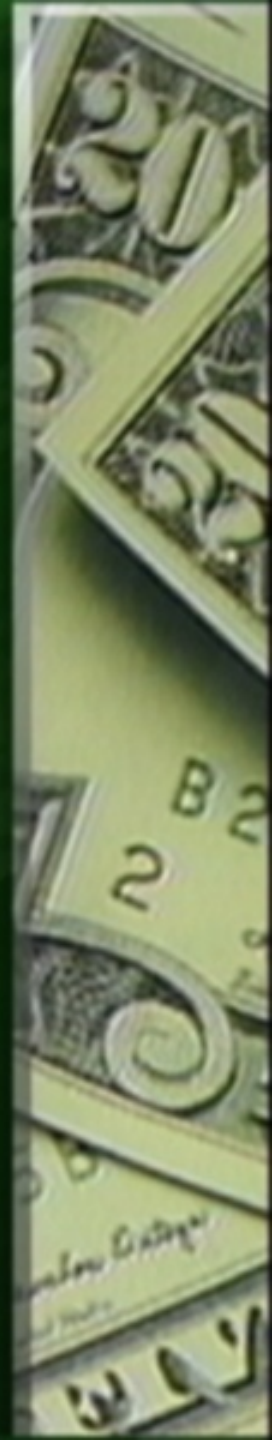
What Happened?

Easy credit - borrowing too much money for house, cars, consumer goods

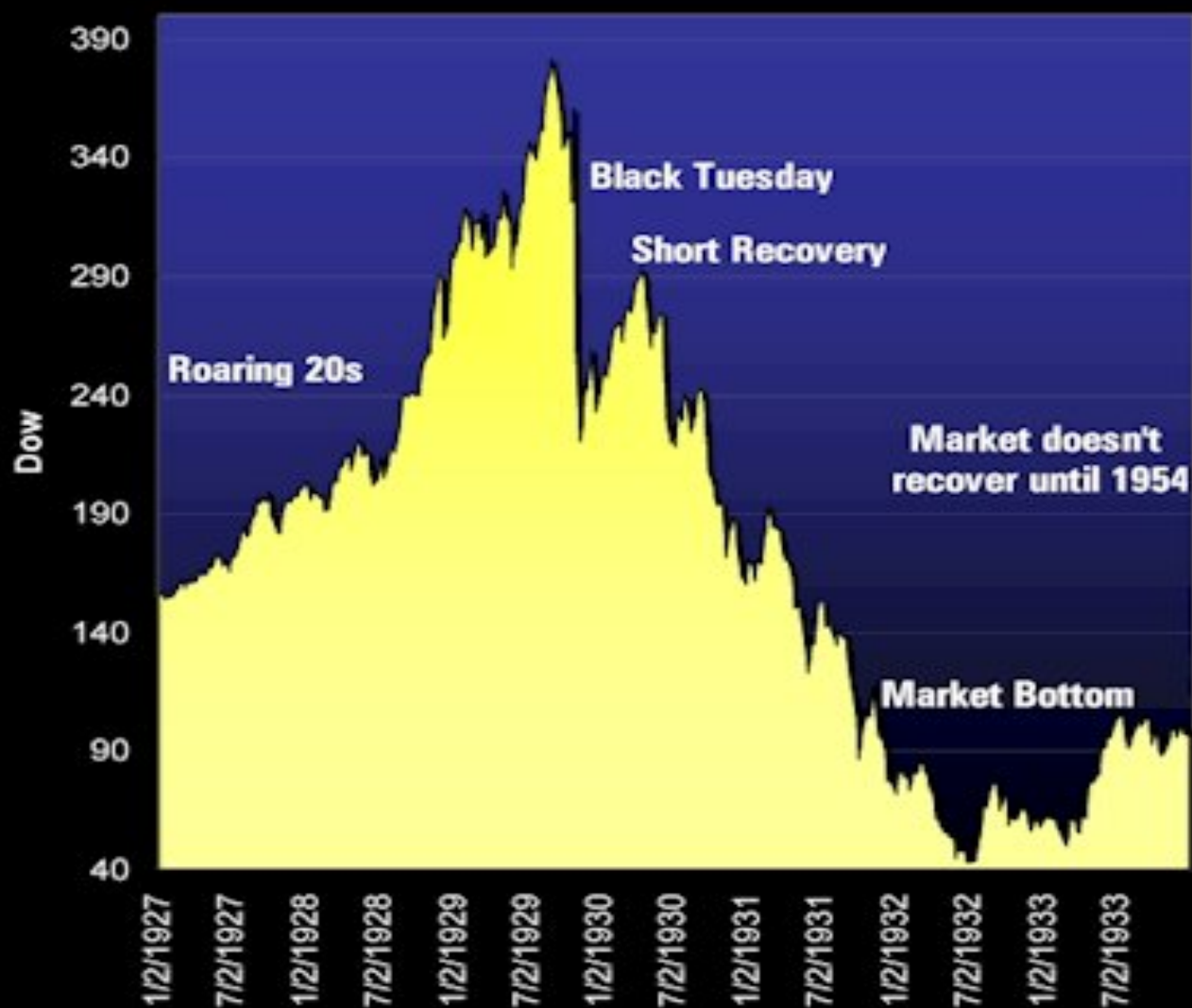
Speculation - making rapid high-risk stock market investments to “get rich quick”

Buying on margin - borrowing money to make stock investments

When the stock market crashed, the financial industry panicked. Banks called in loans, but people didn't have the money to pay.



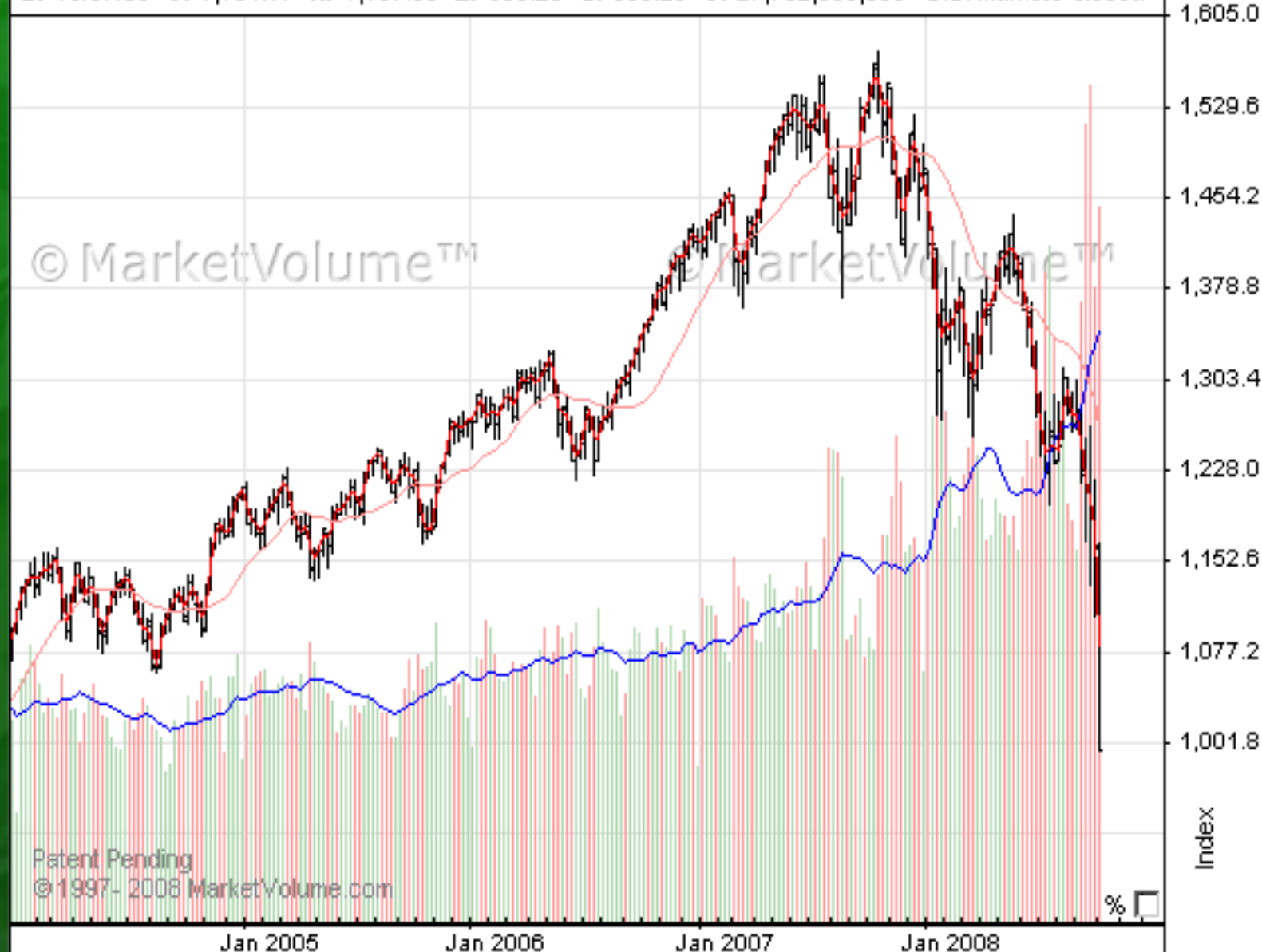
The Great Stock Market Crash of 1929



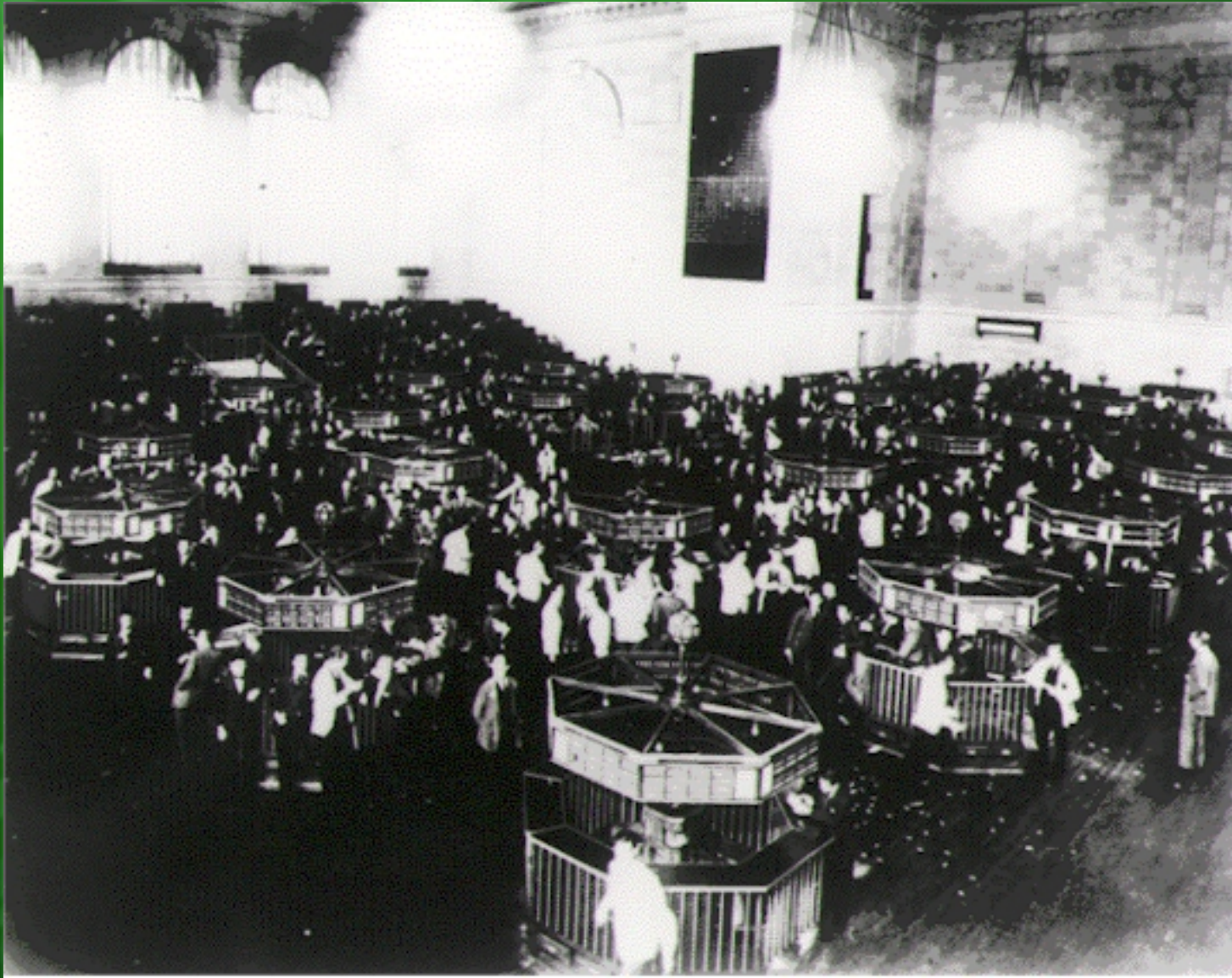
S&P 500 (5 Yr) Daily 996.23

5 day bars

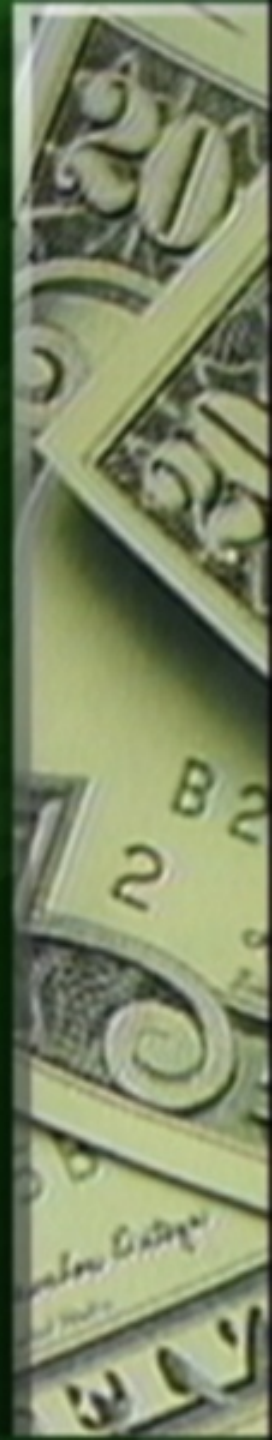
D: 10/07/08 **O:** 1,164.17 **H:** 1,167.03 **L:** 996.23 **C:** 996.23 **V:** 27,702,006,300 U.S. Markets Closed



“You want a room for sleeping or jumping?”

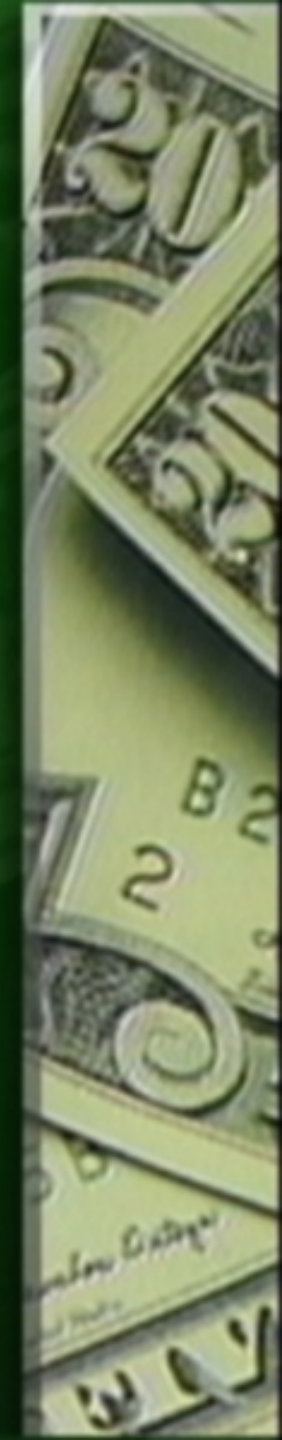


NYSE Trade Floor, Black Tuesday, October 29, 1929





Police stand guard at World Exchange Bank, 1931



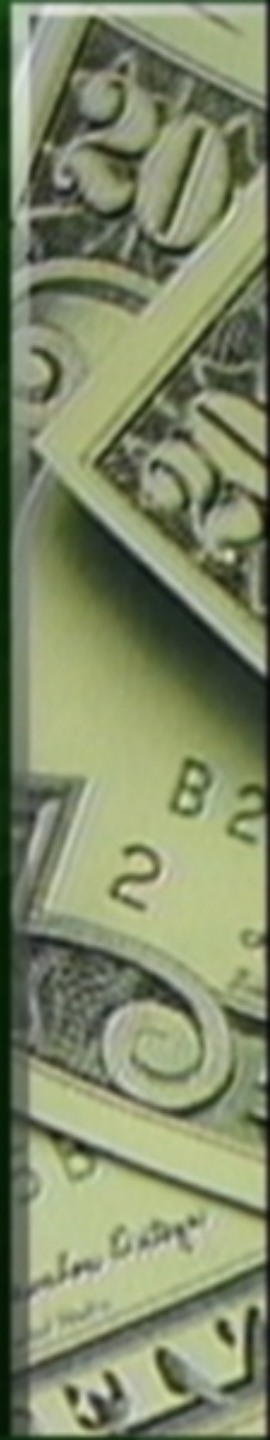
What happened?

As banks called in loans, people lost their houses, factories closed, and people lost their jobs.

The more people panicked & pulled their money out of the banks, the more this cycle kept going.

The Hawley-Smoot Tariff was passed to raise prices on imported goods & protect US industry.

- **Mostly resulted in spreading the Depression worldwide as other countries suffered from the loss of sales of their goods to America.**



Economic Causes

Agricultural overproduction

Widening gap between rich and poor

Stock market crash due to buying stock on margin.

Political Causes

Hoover follows hands-off policy towards business

Few regulations in place over companies

Economic Effects

Deflation

Unemployment at 25%

Drop in production

The Great Depression

Foreign Affairs

Hitler takes power in Germany in part due to hyperinflation.

Political Effects

FDR elected in 1932

New Deal programs increase govt. role in economy

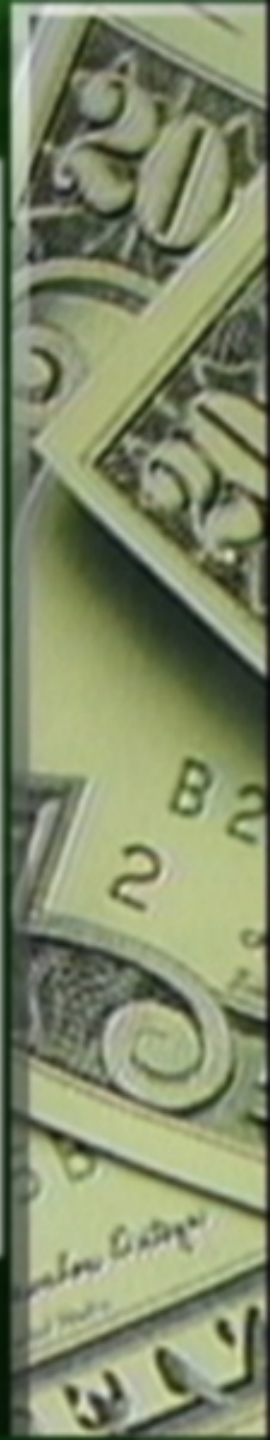
East 12th Street, NYC, 1937



Russell Lee



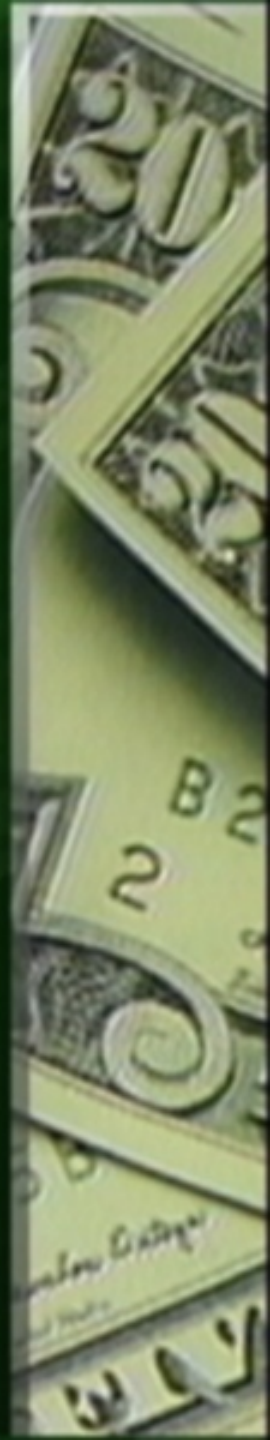
Unemployed men vying for jobs, Los Angeles



Daily lineup, Employment Service, TN, 1938

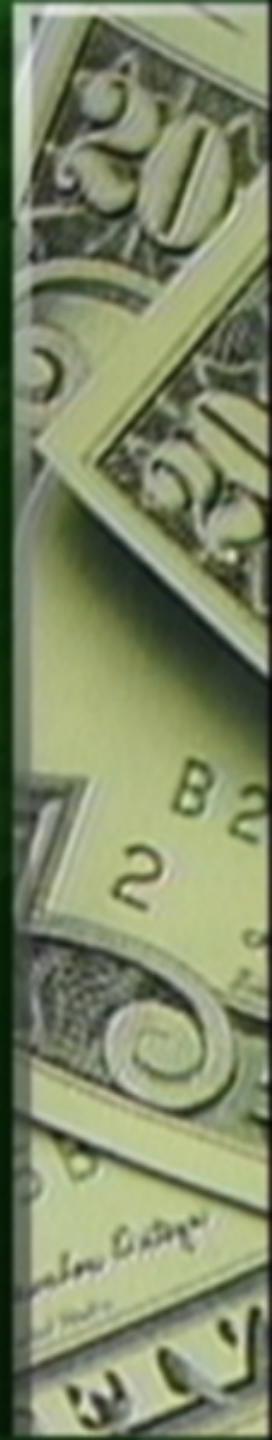


Dorothea Lange





Bonus Army, Capital Hill, 1932





Hugo Gellert (1924)

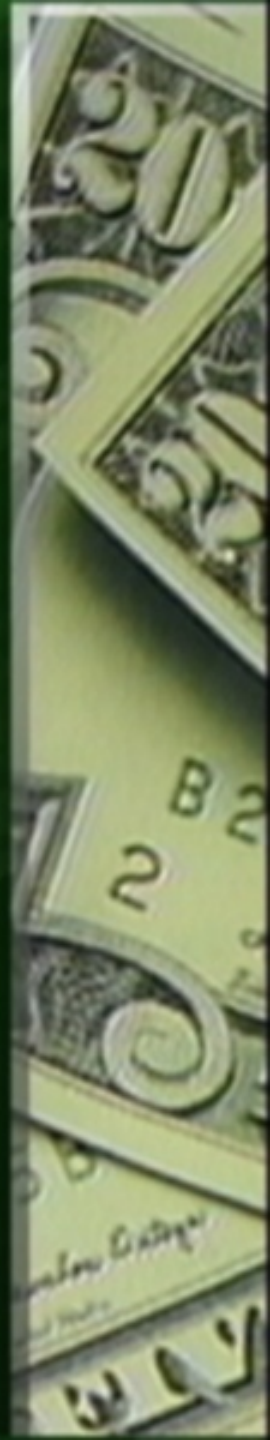
Americans Suffer

Countless people found themselves homeless, jobless and reliant on soup kitchens & breadlines to provide food.

Many homeless built shacks & shantytowns that became known as “Hoovervilles”, in reference to the president that many people blamed for the devastation.

Bonus Army

- In the summer of 1932, a group of veterans marched to Washington, DC to demand payment of a bonus scheduled for the mid-1940s.
- After Hoover called in federal troops to remove marchers, his reputation was damaged even more.



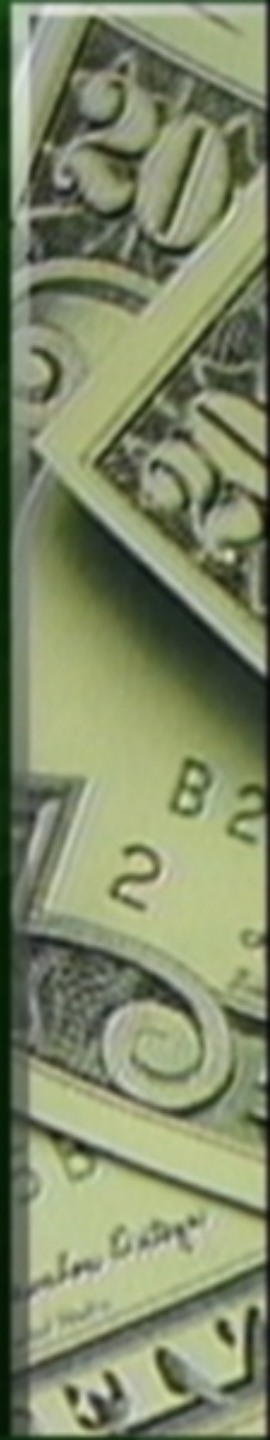
What Should Government Do?

Rugged individualism

- **Until this time, many Americans saw the US as a society of individuals that had to take care themselves.**
- **With hard work & dedication, anyone could make it.**
- **Government' s job was only to keep law & order and protect freedoms.**

Direct relief

- **With the depression, many began to feel that the national government should provide relief to help those who were trampled by the economic crisis.**

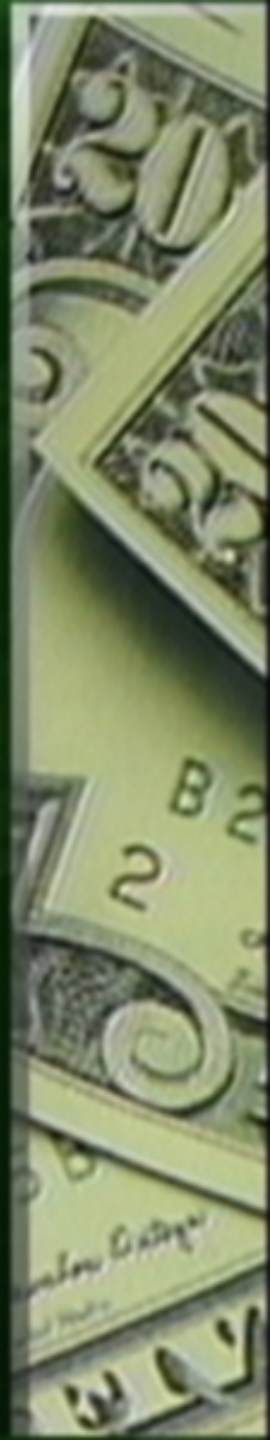


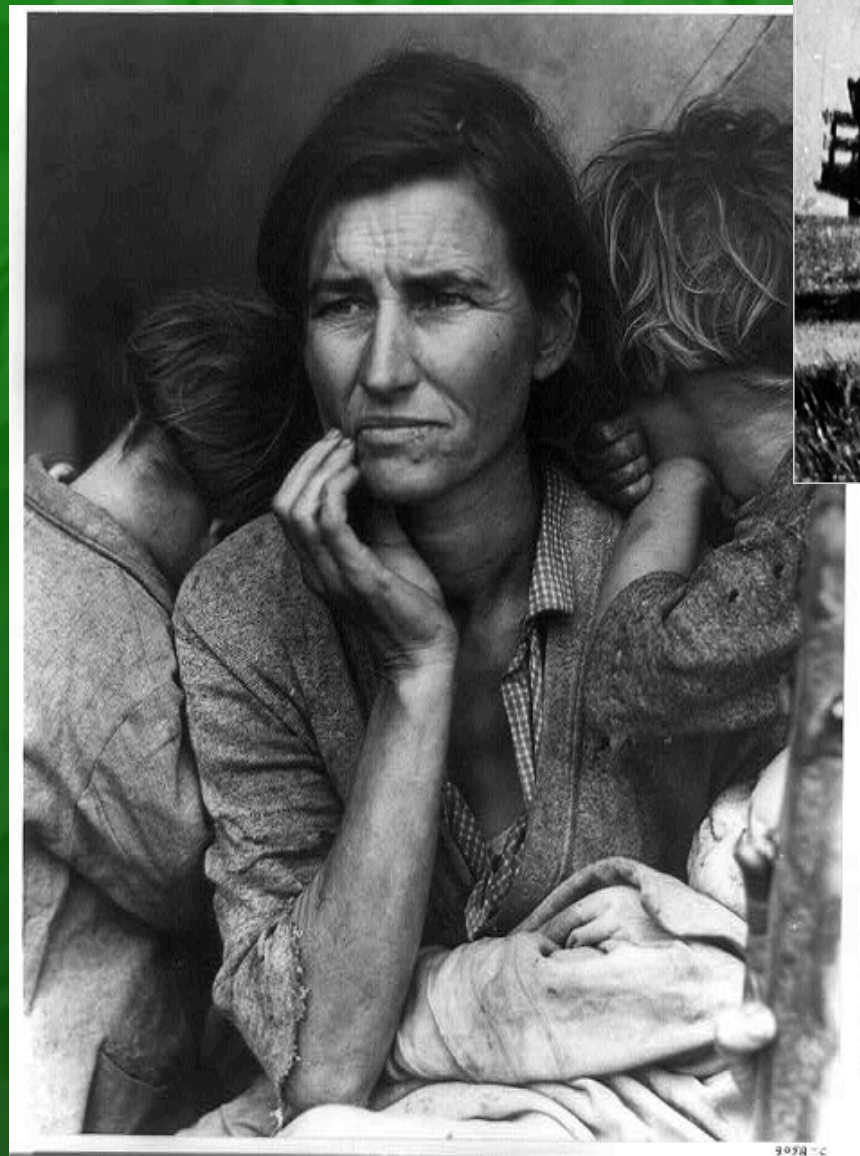
Farmers Face Certain Doom

Massive drought & poor farming techniques resulted in the infamous Dust Bowl effect in the Midwest. As farms & homes were buried, farmers - nicknamed "Okies" - migrated to California in search of work.

John Steinbeck describes the fate of these migrant American farmers in his novel *The Grapes of Wrath*.

Dorothea Lange documents the plight of these helpless migrant farmers in her photography, most famously *Migrant Mother*.

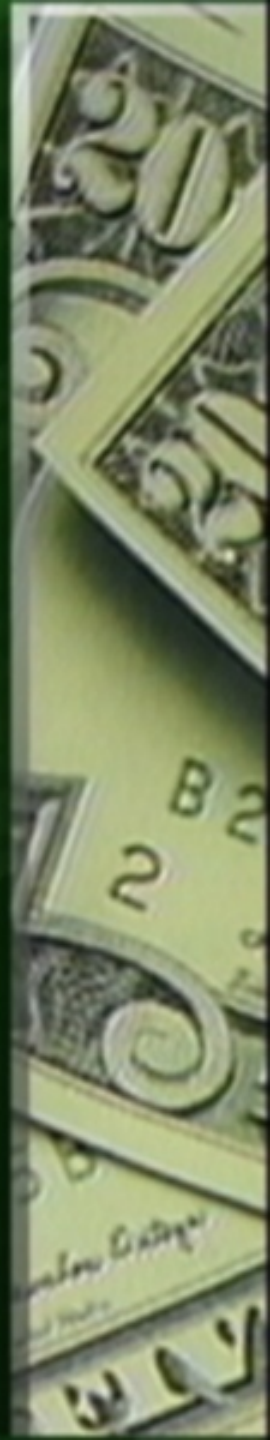




FDR Takes the Reigns

As the new president takes over in 1933, Franklin Delano Roosevelt engages in a series of “fireside chats” over the radio.

By directly communicating with citizens, he is able to provide a sense of security and confidence in the difficult times.

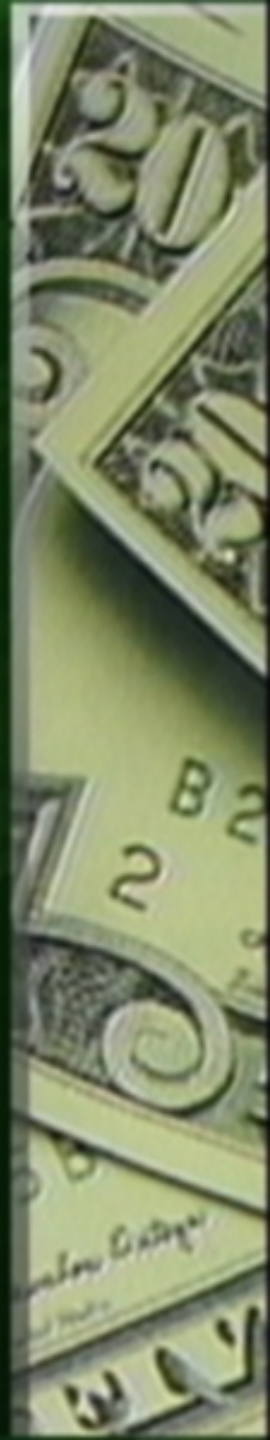


Franklin D. Roosevelt

FDR was elected in 1932, three years into the depression. He presented optimism and a willingness to experiment with government actions to deal with the crisis.

When he took office, FDR brought in scholars & experts, known as his “Brain Trust” to help develop a plan.

One of his advisors included the first cabinet woman Francis Perkins, Secretary of Labor, who wrote minimum wage laws & helped pass the Social Security Act.

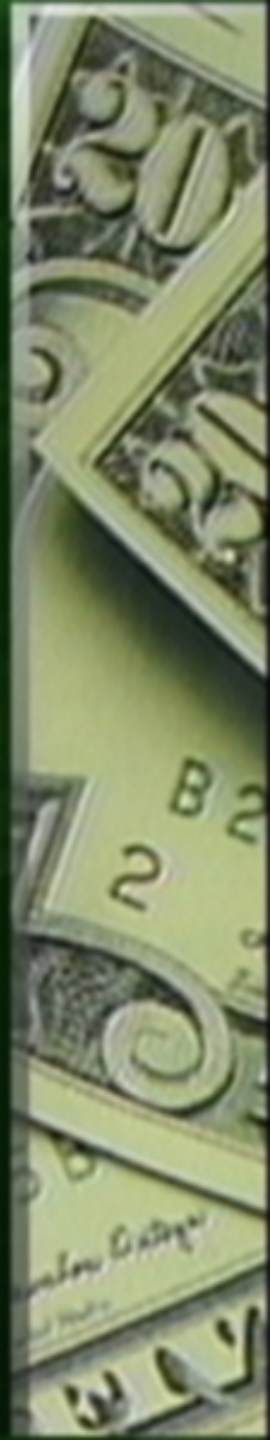


New Deal

Roosevelt believed that government should provide direct relief to citizens - provide food, funds, jobs. He argued that after three years it was clear that the economy was not going to come back to normal on its own.

Central to Roosevelt's plan was the concept of deficit spending - that the government would have to borrow money to spend in order to jump start the economy.

These spending plans became known as the New Deal.

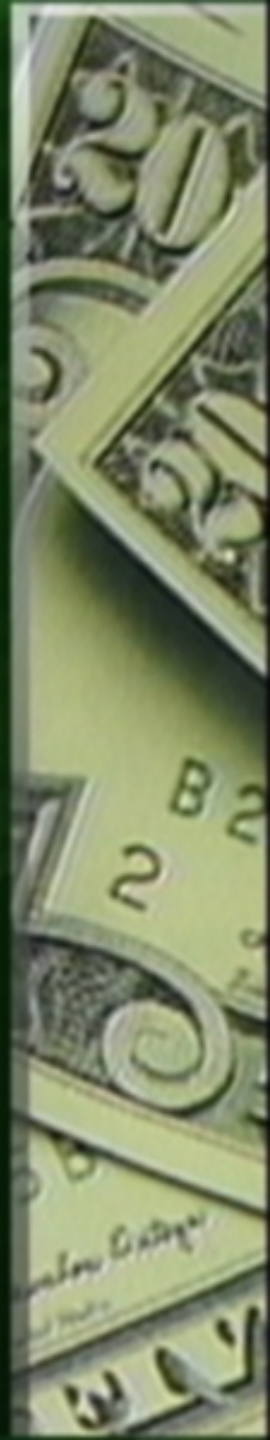


Reactions to the New Deal

During the first hundred days, Roosevelt pushed programs through Congress to provide “relief, recovery, and reform.” These New Deal programs became known as “alphabet soup” for their abbreviations.

Some critics, such as Father Charles Coughlin and Huey Long, argued that Roosevelt’s plans did not go far enough in creating a new, safer system.

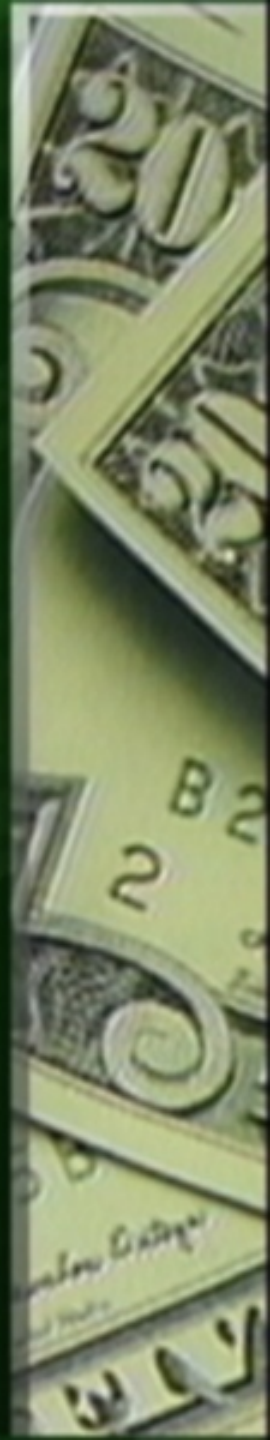
Others argued that Roosevelt was spreading socialism to the US. The Supreme Court struck down a number of his New Deal ideas, and Roosevelt threatened to “pack” the Court with favorable justices.



The Alphabet Soup

AAA	TVA	NIRA (PWA)	SEC	FDIC
CCC	NLRA (Wagner Act)	Fair Labor Standards	WPA	SSA

Think: How do these programs represent FDR's push toward "relief, recovery & reform"?



Questions: 1920s & 1930s

- 1. Why do they call it the “Roaring Twenties”?**
- 2. How did gender, race, and religion change?**
- 3. What happened that led up to the Crash?**
- 4. How did the Crash affect different people?**
- 5. How did FDR provide “Relief, Recovery, & Reform”?**

